

# Industry Circular



**Internal Revenue Service**  
Alcohol, Tobacco and Firearms Division  
Washington, D.C. 20224

Industry Circular No. 71-2

February 17, 1971

**TAX-EXEMPT SALES OF CIGARETTES AND CIGARS TO TRAVELERS  
CROSSING THE UNITED STATES BORDER INTO CANADA OR MEXICO**

Proprietors of tobacco export warehouses:

It has come to our attention that proprietors of some export warehouses operating along the Canadian and Mexican borders have been making sales and keeping records inconsistent with the regulations, without an alternate procedure approved by the Director, Alcohol, Tobacco and Firearms Division, as authorized by the regulations in 26 CFR 290.72. This industry circular is to remind those proprietors of their responsibilities under the law and regulations.

Section 5704 of the Internal Revenue Code of 1954 provides that an export warehouse proprietor may remove tobacco articles, without payment of tax, for consumption beyond the jurisdiction of the internal revenue laws of the United States. Regulations in 26 CFR 290.198 require that the export warehouse proprietor prepare a notice of removal, Form 2150, for each shipment removed from his warehouse. In connection with sales to travelers crossing the United States border into Canada or Mexico this requires that a separate Form 2150 be prepared for each shipment of tobacco articles sold to each traveler. Because these sales are numerous and in small quantities the preparation and handling of a Form 2150 can be burdensome for the proprietor, Customs, and the Internal Revenue Service. Consequently, some alternate procedures have been developed which we believe will, in most situations, be in compliance with the intent of regulations and afford equivalent security to the revenue, but will not require a separate Form 2150 for each purchaser. These procedures are outlined in the enclosure.

If you operate a border export warehouse from which you make such sales to travelers entering Canada or Mexico, please review your operations and recordkeeping procedures to be sure you are complying with the regulations or following an alternate procedure specifically approved by the Director. If your operations are not so conducted you should begin complying with the regulations immediately.

If you wish to take advantage of a procedure like that discussed in the enclosure you may submit an application to do so as provided by the regulations in 26 CFR 290.72. Your application should set forth your proposed procedures in detail, similar to the presentation in the enclosure.

Any inquiries regarding this circular should be made to the office of your Assistant Regional Commissioner, Alcohol, Tobacco and Firearms.

Rex D. Davis, Acting Director  
Alcohol, Tobacco and Firearms Division

Enclosure

PROCEDURES FOUND ACCEPTABLE UNDER 26 CFR 290.72 FOR PREPARATION OF A DAILY SUMMARIZED FORM 2150 AT BORDER EXPORT WAREHOUSES

(Each procedure may not be best for every situation. Consequently, slight variation to meet local needs and Customs requirements may be requested.)

1. Limitation of these procedures. These procedures for a daily summarized Form 2150 will be authorized only for removals of tobacco articles (cigars, cigarettes, cigarette papers, and cigarette tubes) for the personal use of individuals entering Canada or Mexico and are not authorized for commercial exportations. A proprietor's application should state that he understands if the quantity of articles involved or the nature of the transaction indicates the articles are being commercially imported by the purchaser and are not for his personal consumption the regulatory procedures for exportations in 26 CFR 290.198, 290.199, and 290.205 must be followed, with a separate Form 2150 for each such export. For this purpose it will normally be presumed that it is a commercial exportation if the quantities to an individual are more than 400 cigarettes and 100 cigars in any calendar week, or more than the purchaser is legally entitled to take into the country he is entering without payment of duty or tax in that country, whichever is greater. (Note that the law at 13 U.S.C. 301-307 and Department of Commerce regulations in 15 CFR Part 30 generally also require shipper's export declarations for such commercial exportations.)

2. Preparation of sales slips. A separate sales slip will be prepared in original and three copies for each sale of tobacco articles. The slip will include a pre-printed serial number, a list of the articles sold, the name and address of the purchaser, the date of purchase, the license plate identification of the vehicle in which the articles are transported to Canada or Mexico, a place for certification of export by Customs, and a conspicuous statement that the articles are sold exempt from U. S. Federal tax for consumption outside the U. S. and if returned to the United States they must be declared to Customs and are subject to duty or tax. The proprietor is responsible for assuring with reasonable certainty that the purchaser's name and address and all other information on the sales slips is correct and complete.

3. Distribution and certification of sales slips. One copy of the sales slip will accompany the articles to the border point where the articles are to be given to the purchaser and exported under the supervision of a customs officer. Two copies of the sales slip will be given to the purchaser, one to be retained by him and the other to be furnished to the customs officer who supervises the exportation. The remaining copy will be retained by the proprietor at the warehouse until the signed copy is returned after delivery of the articles. Upon receipt of the tobacco articles by the purchaser he will sign both the copy he surrenders to obtain delivery of the articles and the copy which accompanied the articles to the border point. The customs officer will receive one such signed copy and the proprietor will retain the other.

4. Preparation and disposition of Forms 2150. At the close of each business day a consolidated Form 2150 will be prepared, in triplicate showing the total quantities removed, the serial numbers of the related sales slips, and other information required on the form. All copies will be submitted to the customs officer at the border for execution of the certificate of export. After certification, the customs officer will retain one copy and return the original and other copy of the form to the warehouse proprietor. The proprietor will retain as part of his records the copy of the Form 2150 and the receipted copies of the related sales slips, and transmit the original of the consolidated Form 2150 to the assistant regional commissioner (alcohol, tobacco and firearms) no later than the close of the business day following the day the removals were made.

5. Acceptance of procedure by Customs. The specific procedures proposed must be acceptable to the responsible customs officer at the port as evidenced by his written consent, a copy of which should be submitted with the proprietor's application for an alternate method or procedure under 26 CFR 290.72.